

Minutes
North Dakota Public Employees Retirement System
Thursday, October 26, 2000
Peace Garden Room
State Capitol
Bismarck, ND
8:00 A.M.

Members Present:	Mr. Joseph Maichel, Chairman Mr. Weldee Baetsch Mr. David Gunkel Mr. Ron Leingang Mr. Howard Sage Mr. Murray Sagsveen Ms. Rosellen Sand
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Kathy Allen, NDPERS Ms. Deb Knudsen, NDPERS Ms. Sharon Schiermeister, NDPERS Mr. Bryan Reinhardt, NDPERS Ms. Sharmain Dschaak, NDPERS Ms. Cheryle Masset-Martz, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Howard Shortland, AFPE Mr. Tom Tupa, INDSEA Mr. Larry Brooks, BCBSND Mr. Rod Crane, The Segal Company Mr. David Peske, ND Medical Association Ms. Ellen Schreder Ms. Betty Jennings Mr. Greg Larson

Chairman Maichel called the meeting to order at 8:07 a.m.

MINUTES

Chairman Maichel called for any questions or comments regarding the minutes of the September 28, 2000 meeting.

MR. LEINGANG MOVED APPROVAL OF THE MINUTES AS SUBMITTED. MS. SAND SECONDED THE MOTION.

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Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

RETIREMENT

Actuarial Valuations

Mr. Crane, The Segal Company, reviewed a summary of the results of the valuations completed for the year ending June 30, 2000. Mr. Crane provided the following highlights:

- All Systems have positive contribution margins except the Retiree Health Insurance Credit Fund; approved assumption changes related to the experience study are reflected in all liabilities.
- Return on valuation assets exceeded the return on the market value of assets.
- Funded ratio above 100% for all plans except Retiree Health Insurance Credit Fund.
- Retiree Health Insurance Credit Fund funded ratio has improved.

Available margins as of June 30 are as follows:

Main System	1.80	
National Guard Retirement System		6.59
Judges Retirement System	8.02	
Highway Patrol Retirement System	7.52	
Retiree Health Credit Fund	(.02)	

Discussion followed. Mr. Collins requested more detail on the Retiree Health Insurance Credit Fund. Mr. Crane indicated in the past the gain/loss analysis was provided for the main system, however, this detail could be provided for all systems on an ad-hoc or ongoing basis. Mr. Crane conveyed this issue should be discussed with Ms. Leslie Thompson, The Segal Company. By general consensus, the Board agreed to pursue with Ms. Thompson the cost of obtaining the additional information requested. Mr. Crane pointed out that the funding deficit is not cause for immediate concern. However, this will require close monitoring. A copy of the actuarial valuations is on file at the PERS office. This item was informational only and required no action by the Board.

Proposed Legislation

Included with the board materials was a summary of the proposed bills and the actuarial effect of each bill. Mr. Crane distributed and reviewed a handout on the actuarial cost impact of the proposed bills. He indicated this does not take into account the impact of the expansion for the optional Defined Contribution plan bill. There is sufficient margin to fund the proposed legislation for each of the retirement plan bills. However, there is not sufficient margin in the Retiree Health

plan. Staff recommended submitting all the retirement bills but not submitting the Retiree Health bill.

MR. GUNKEL MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

DEFERRED COMPENSATION

Companion Plan Survey Results

Included with the board materials were the results of the Companion Plan survey. This survey was forwarded to members of the Companion Plan to solicit their thoughts, perspectives and opinions regarding the plan. Mr. Reinhardt provided an overview of the results. The next step in this process will be to move forward and utilize the same survey instrument and solicit the same thoughts from members of the other providers participating in the Deferred Compensation program. Mr. Sage inquired if it would be possible to survey the employees who do not participate in the Deferred Compensation program. Mr. Collins indicated the Deferred Compensation section in the next biennial survey could be expanded to include non-participation questions. This item was informational only and required no action by the Board.

American General

A letter was included with the board materials from American General in follow-up to the board meeting they previously attended regarding several performance issues. This item was informational only and required no action by the Board.

GROUP INSURANCE

Flu Shot Update

Ms. Allen indicated UND Family Practice had not received its order of the flu shot vaccination as of October 16. However, their supplier notified them that 16% of the order will be shipped in October, 48% shipped in November, and the remainder shipped in December. UND Family Practice will notify staff if this situation changes. This item was informational only and required no action by the Board.

Rates Methodology

At the last Board meeting, the final renewal methodology for the group insurance plan was approved. Pursuant to that renewal, Blue Cross Blue Shield (BCBS)

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agreed to reduce their health insurance premium an average of \$7.47 per contract per month, less the \$1.61 of additional benefit provisions the Board approved, for a net reduction of \$5.80. In return, PERS will set up a health reserve account with them. The next step in implementing this arrangement would be to determine how the reduction would be applied against the contracts. Staff identified following three options for applying the reduction:

Option 1: Applies the \$5.80 against the contract base in a manner that would produce a uniform rate increase off the BCBS rates.

Option 2: Applies the \$5.80 reduction across the contract base in a manner that would provide a uniform rate increase off the present PERS contract rates.

Option 3: Applies the \$5.80 rate reduction as a flat amount against each contract price amount.

Staff recommended the Board approve Option 2 which would apply the reduction against the rates in a manner that would produce a uniform rate increase based on the present PERS contract rates.

MR. SAGSVEEN MOVED APPROVAL OF STAFF'S RECOMMENDATION. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Plan Performance Update

The September surplus projection and affordability analysis for the NDPERS group medical plan was included with the board materials. This item was informational only and required no action by the Board.

Smoking Cessation and Weight Management

Mr. Sagsveen and Ms. Sand requested the Board reconsider adding the smoking cessation and weight management programs. Mr. Sagsveen indicated if cost was the reluctance previously, it may be appropriate to begin with the smoking cessation program. Mr. Collins distributed a copy of the memo that was discussed at the June board meeting on these proposals. Mr. Collins indicated a new amount would need to be submitted to the Governor for his consideration. Mr. Sagsveen indicated this would not only be useful for the participants but also information useful to the Legislature and the Board as to how to proceed with these types of programs. Discussion followed.

MR. SAGSVEEN MOVED TO APPROVE THE SMOKING CESSATION AND WEIGHT MANAGEMENT PROGRAMS AND SUBMIT THEM TO THE GOVERNOR AS SEPARATE LINE ITEMS. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Sage, Sagsveen, Sand, Chairman Maichel

Nays: Gunkel, Leingang

PASSED

Chairman Maichel recessed for a ten-minute break

BOARD REVIEWS

Domestic Relations Order

Mr. Miller conveyed this item relates to a deceased member's retirement benefit and should be discussed in executive session since it is of confidential nature. Ms. Ellen Schreder, attorney for the ex-spouse of the deceased member, obtained a release allowing her to hear confidential information. Mr. Miller conveyed the Board would then have to go into open session to allow the ex-spouse and Greg Larson, local legal counsel for the ex-spouse, to join the meeting to hear Ms. Schreder's presentation to the Board requesting reconsideration of an earlier Board decision. Mr. Miller indicated that following Ms. Schreder's presentation, the Board will need to go back into executive session for attorney client consultation as litigation has been threatened in the event that the Board does not favorably respond to the request

Chairman Maichel requested that members of the public, who were attending the open meeting, leave the room. The executive session was called to order 10:00 a.m. In attendance were Chairman Maichel, Weldee Baetsch, David Gunkel, Ron Leingang, Howard Sage, Murray Sagsveen, Rosey Sand, Mr. Collins, Mr. Miller, Ms. Allen, Ms. Knudsen, Ms. Dschaak, Ms. Masset-Martz, Ms. Ellen Schreder, and Ms. Humann. Discussion was held regarding timeline of events of the proposed QDRO. The executive session was adjourned at 10:20 a.m. The public was invited to return to the meeting room and the meeting was back in open session.

Ms. Schreder, ex-spouse's legal counsel, introduced Mr. Greg Larson, as the ex-spouse's local legal counsel, and the ex-spouse of the deceased member. Ms. Schreder provided a series of exhibits and chronology of events relating to the ex-spouse and deceased member since June 30, 1998 for the Board's reconsideration regarding the proposed QDRO. Discussion followed. Ms. Schreder requested that the Board provide a correction of benefits allowing her client, the ex-spouse, to receive the benefits pursuant to the proposed order.

MR. GUNKEL MOVED APPROVAL TO GO INTO EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING POTENTIAL LITIGATION WITH LEGAL COUNSEL PURSUANT TO NORTH DAKOTA CENTURY CODE 44-04-19.1. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

Chairman Maichel requested that members of the public, who were attending the open meeting, leave the room. The executive session was called to order 10:55 a.m. In attendance were Chairman Maichel, Weldee Baetsch, David Gunkel, Ron Leingang, Howard Sage, Murray Sagsveen, Rosey Sand, Mr. Collins, Mr. Miller, Ms. Allen, Ms. Knudsen, Ms. Dschaak, Ms. Masset-Martz, and Ms. Humann. Discussion was held relating to reconsideration of the QDRO and potential litigation with legal counsel. The executive session was adjourned at 11:10 a.m. The public was invited to return to the meeting room and the meeting was back in open session.

MR. SAGE MOVED NOT TO RECONSIDER THE BOARD'S PREVIOUS ACTION TAKEN ON THIS MATTER. MS. SAND SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

The Board requested Mr. Miller, legal counsel, to send a letter of the Board's decision not to reconsider their previous action taken on the proposed QDRO to Ms. Schreder, attorney for the ex-spouse.

Member's Election

Ms. Masset-Martz, PERS Benefits Programs Specialist, conveyed staff recently received a written request from a surviving spouse to change the disability retirement benefit option that her deceased husband had selected. The deceased member had selected the single life disability benefit. Ms. Masset-Martz provided a sequence of events regarding the deceased member's election. Included with the board materials was a copy of the surviving spouse's written request to allow her the Disability 100% Joint and Survivor Benefit.

MS. SAND MOVED APPROVAL TO ALLOW THE SURVIVING SPOUSE THE BENEFIT OPTION CHANGE TO DISABILITY 100% JOINT AND SURVIVOR. MR. LEINGANG SECONDED THE MOTION.

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Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

MISCELLANEOUS

Legislative Update

Included with the board materials was the information supplied to the Legislative Employees Benefits Programs Committee on October 10. These materials included the *Summary of Issues, Observations, and Suggestions* discussed at the last board meeting, as well as the amendments that were prepared in response to those issues. The information was submitted and accepted by the Committee. New bill drafts will be prepared by the Legislative Council incorporating the amendments to the PERS sponsored bills. For amendments offered for bills not sponsored by PERS, it will be up to the bill sponsor to determine whether they wish to incorporate those amendments or not. Mr. Crane distributed and reviewed a letter regarding the actuarial valuation and reporting process changes that may be necessary if Bill 191 is adopted. Mr. Crane indicated although this bill does not have any direct impact on benefits, it is likely to require some technical changes in how contributions and rates are reported and calculated for purposes of the retirement. Mr. Crane conveyed this was preliminary but felt it would be beneficial to discuss how the actuarial report may need to be modified to change the different approaches and how that may have to be reported. This item was informational only and required no action by the Board.

Next Meeting

The next board meeting will be held on November 8, 2000 to discuss the Watson Wyatt Phase II analysis of the defined contribution plan. The November board meeting will be held on November 30, 2000.

Other

Mr. Sage conveyed he was interested in attending to the 2001 NCPERS conference and for scheduling purposes requested Board approval.

MR. SAGE MOVED APPROVAL FOR TWO BOARD MEMBER'S TO ATTEND THE 2001 NCPERS CONFERENCE. MR. SAGSVEEN SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Sagsveen, Sand, Chairman Maichel

Nays: None

PASSED

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Chairman Maichel called for any other business or comments. Hearing none, the meeting was adjourned at 11:30 a.m.

Prepared by,

Kim Humann
Administrative Assistant